

Property Tax Payments, 2002-2003

- Clay County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Clay County from \$3.7 Million in 2002 to \$5.8 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12

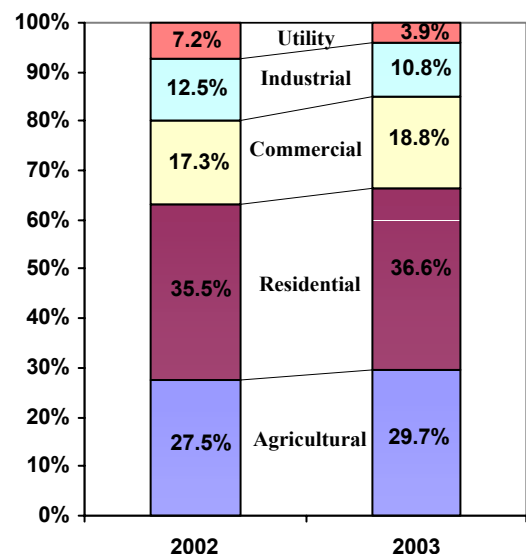
Table 1. Changes in AV and Tax Bills by Property Class for Clay County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	88.9%	74.1%	-12.9%
Residential (All)	92.7%	60.2%	-16.9%
Homestead Only	95.5%	51.6%	-24.0%
Commercial	60.0%	52.2%	-12.2%
Industrial	31.5%	20.1%	-30.6%
Utility	-30.7%	-30.7%	-56.4%
Avg. All Classes	72.7%	52.0%	-19.5%

billion to \$1.87 billion, an increase of approximately \$748 million. In Clay County, state tax credits increased from \$3.7 million to \$5.8 million, an increase of \$2.1 million. This paper provides a brief summary of how these factors changed property tax liabilities in Clay County.

Tax Shifts. Tax bills for all classes of property in Clay County decreased substantially in 2003 (see Table 1). The reason was that there was no significant change in the overall tax levy in Clay, so the added property tax relief from tax restructuring decreased net tax payments for all property classes. [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] The sizes of the tax cuts depended on changes in gross and net assessed values. The total of gross real plus personal property assessed values (AV) of agricultural and residential property increased more than the gross assessed values of business property. Residential net AV increased less because of the increase in the homestead deduction. Only the homestead portion of agricultural property was eligible for this deduction. Commercial assessments increased substantially, industrial assessments by much less, and utility assessments

Figure 1. Share of Net Property Tax Billings in Clay County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

actually decreased. Agricultural, residential, and commercial net AV increased more than industrial and utility net AV. Consequently, industrial and utility property owners received the larger tax cuts. These figures include the effects of new construction, demolition, and remodeling of property, as well as the effects of reassessment and tax restructuring.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential and agricultural homesteads in Clay County saw their tax bills decrease by a greater amount than the average residential tax decrease. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased slightly while taxes on homesteads decreased. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

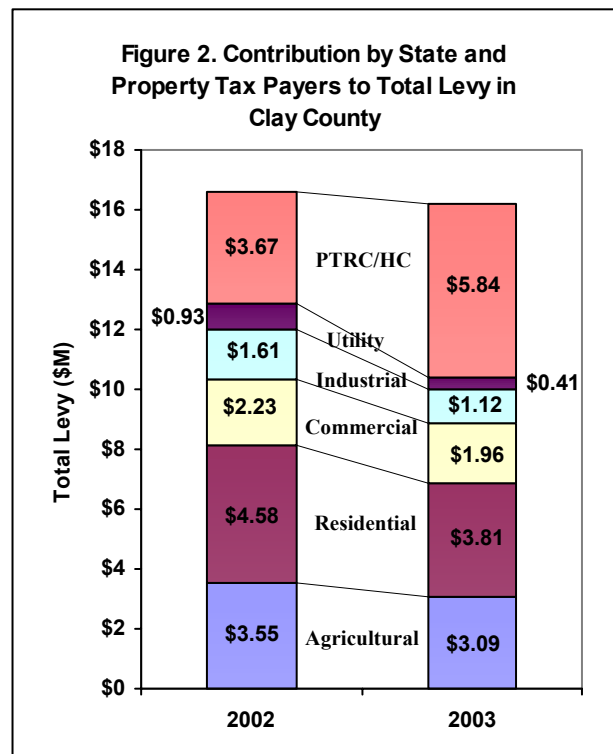
Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Clay County, more residential property owners (including both homeowners and rental property owners) saw tax bill decreases than increases in 2003. Separately, about 86% of homestead owners saw decreases rather than increases.

Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Clay County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead -NO Levy Change -
Increased	45.0%	14.4%	42.9%	13.1%
Decreased	55.0%	85.6%	57.1%	86.9%
Increased 100% or More	13.3%	2.4%	13.0%	2.3%
Decreased 25% or More	34.0%	60.3%	35.9%	63.4%
Average Change (\$)	-\$74	-\$188	-\$81	-\$193
Average Change (%)	-19.0%	-31.9%	-20.9%	-33.2%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

Levy changes in Clay County were small, so there is little difference between the estimates with no levy changes and the actual tax changes. With no levy changes, 57% of all residential property owners would have seen tax decreases, and 87% of homesteads would have seen decreases. With or without levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Clay County decreased. Overall, agricultural business taxes decreased less than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property nearly doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a smaller amount.



Business. Taxes on industrial and utility property fell more than taxes on other property classes in Clay County because industrial and utility assessed values rose less. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Clay County reduced tax rates, and this provided bigger tax cuts for owners of property with smaller assessment increases, like industry and utilities.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Clay County by PTRC and state homestead credit payments increased by approximately 59%, from \$3.7 million to \$5.8 million.

Table 3 shows estimates of how Clay County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential property owners would have been large, and agricultural property owners would have seen a tax increase. The increases in the homestead deduction and PTRC in the tax restructuring reduced these tax bills. Clay County residential property taxes decreased because the reassessment business-to-residential tax shift and the small levy increase were more than offset by the rise in the homestead deduction and higher state PTRC payments. The larger PTRC payments are also responsible for increasing the tax cuts received by commercial and industrial property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Clay County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	8.2%	-12.9%	-21.1%
Residential (All)	24.7%	-16.9%	-41.6%
Homestead Only	35.2%	-24.0%	-59.2%
Commercial	-9.3%	-12.2%	-2.8%
Industrial	-28.4%	-30.6%	-2.2%
Utility	-62.6%	-56.4%	6.1%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Clay County

Changes in Assessed Values, Deductions, Credits and Net Levies

Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	532,947,257	183,174,092	268,143,750	211,247,977	55,841,445	25,787,970	0
Real Deductions	66,369,224	13,842,935	52,248,285	52,248,285	271,778	6,226	0
Real Net Assessed Value	466,578,033	169,331,157	215,895,465	158,999,692	55,569,667	25,781,744	0
Personal Gross Assd. Value	142,462,804	10,670,527	3,112,877	0	38,963,759	47,935,820	41,779,820
Personal Deductions	2,547,160	0	0	0	2,274,540	272,620	0
Personal Net Assd. Value	139,915,644	10,670,527	3,112,877	0	36,689,219	47,663,200	41,779,820
Total Gross Assessed Value	675,410,061	193,844,619	271,256,627	211,247,977	94,805,205	73,723,791	41,779,820
Total Deductions	68,916,384	13,842,935	52,248,285	52,248,285	2,546,318	278,846	0
Total Net Assessed Value	606,493,677	180,001,684	219,008,342	158,999,692	92,258,887	73,444,945	41,779,820
Gross Levy	16,540,259	4,483,862	6,160,605	4,401,189	2,762,759	1,985,121	1,147,912
PTRC (Calculated)	3,084,441	802,985	1,162,669	827,212	531,968	372,423	214,395
State/County Homestead Cr. (Calculated)	548,565	134,261	414,304	414,304	0	0	0
Net Levy	12,907,253	3,546,615	4,583,632	3,159,673	2,230,791	1,612,698	933,516
Pay 2003							
Real Gross Assessed Value	1,016,621,040	352,938,650	519,800,635	412,885,823	101,734,091	42,147,663	0
Real Deductions	231,291,464	52,652,334	171,915,625	171,915,625	5,019,018	1,704,487	0
Real Net Assessed Value	785,329,576	300,286,316	347,885,010	240,970,198	96,715,073	40,443,176	0
Personal Gross Assd. Value	149,864,510	13,142,600	2,982,800	0	49,977,888	54,817,612	28,943,610
Personal Deductions	13,310,660	0	0	0	6,271,450	7,039,210	0
Personal Net Assd. Value	136,553,850	13,142,600	2,982,800	0	43,706,438	47,778,402	28,943,610
Total Gross Assessed Value	1,166,485,550	366,081,250	522,783,435	412,885,823	151,711,979	96,965,275	28,943,610
Total Deductions	244,602,124	52,652,334	171,915,625	171,915,625	11,290,468	8,743,697	0
Total Net Assessed Value	921,883,426	313,428,916	350,867,810	240,970,198	140,421,511	88,221,578	28,943,610
Gross Levy	16,227,085	4,978,152	6,460,573	4,347,998	2,750,115	1,528,697	509,548
PTRC (Calculated)	5,243,818	1,753,682	2,187,467	1,482,896	791,032	408,926	102,710
State/County Homestead Cr. (Calculated)	598,513	133,865	464,648	464,648	0	0	0
Net Levy	10,384,753	3,090,604	3,808,458	2,400,453	1,959,083	1,119,771	406,838
COMPARISONS							
Net Levy Percent Change	-19.5%	-12.9%	-16.9%	-24.0%	-12.2%	-30.6%	-56.4%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	90.8%	92.7%	93.9%	95.5%	82.2%	63.4%	
Gross Personal AV	5.2%	23.2%	-4.2%	0.0%	28.3%	14.4%	-30.7%
Total Gross Assessed Value	72.7%	88.9%	92.7%	95.5%	60.0%	31.5%	-30.7%
Net Assessed Value	52.0%	74.1%	60.2%	51.6%	52.2%	20.1%	-30.7%
Gross Levy	-1.9%	11.0%	4.9%	-1.2%	-0.5%	-23.0%	-55.6%
Net Levy	-19.5%	-12.9%	-16.9%	-24.0%	-12.2%	-30.6%	-56.4%
Actual State Credits, 2002 and 2003							
	2002	2003	Change	Change%			
PTRC (Abstract)	3,088,542	5,234,670	2,146,128	69.5%			
State Homestead Cr. (Abstract)	578,336	604,206	25,870	4.5%			
Total State Credits (Abstract)	3,666,878	5,838,876	2,171,999	59.2%			

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Clay County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	3,546,615	3,090,604	-456,011	-12.9%	27.5%	29.7%	2.2%
Residential	4,583,632	3,808,458	-775,174	-16.9%	35.5%	36.6%	1.1%
Commercial	2,230,791	1,959,083	-271,708	-12.2%	17.3%	18.8%	1.5%
Industrial	1,612,698	1,119,771	-492,927	-30.6%	12.5%	10.8%	-1.7%
Utility	933,516	406,838	-526,678	-56.4%	7.2%	3.9%	-3.3%
Exempt	2,089	23,599	21,510	1029.7%	0.0%	0.2%	0.2%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	12,909,341	10,408,353	-2,500,988	-19.4%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	3,328,568	2,929,939	-398,629	-12.0%	25.8%	28.1%	2.4%
Residential	4,515,065	3,774,849	-740,216	-16.4%	35.0%	36.3%	1.3%
Commercial	1,380,635	1,302,217	-78,418	-5.7%	10.7%	12.5%	1.8%
Industrial	558,811	446,751	-112,060	-20.1%	4.3%	4.3%	0.0%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	2,089	23,599	21,510	1029.7%	0.0%	0.2%	0.2%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	9,785,168	8,477,355	-1,307,813	-13.4%	75.8%	81.4%	5.6%
Agricultural Homesteads	1,442,597	1,112,179	-330,418	-22.9%	11.2%	10.7%	-0.5%
Residential Homesteads	3,159,673	2,400,453	-759,220	-24.0%	24.5%	23.1%	-1.4%
Total Homesteads	4,602,270	3,512,632	-1,089,638	-23.7%	35.7%	33.7%	-1.9%
Non-Homestead Residential	1,355,392	1,374,396	19,004	1.4%	10.5%	13.2%	2.7%
Apartments (Over 4 Units)	89,939	137,596	47,657	53.0%	0.7%	1.3%	0.6%
<u>Personal Property Only</u>							
Agricultural	218,047	160,665	-57,382	-26.3%	1.7%	1.5%	-0.1%
Residential	68,567	33,608	-34,959	-51.0%	0.5%	0.3%	-0.2%
Commercial	850,156	656,865	-193,291	-22.7%	6.6%	6.3%	-0.3%
Industrial	1,053,887	673,020	-380,867	-36.1%	8.2%	6.5%	-1.7%
Utility	933,516	406,838	-526,678	-56.4%	7.2%	3.9%	-3.3%
Total	3,124,173	1,930,996	-1,193,177	-38.2%	24.2%	18.6%	-5.6%
Total Depreciables	2,140,503	1,307,497	-833,006	-38.9%	16.6%	12.6%	-4.0%
Total Inventory	915,104	589,891	-325,213	-35.5%	7.1%	5.7%	-1.4%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,885,972	1,817,760	-68,212	-3.6%	14.6%	17.5%	2.9%
Ag Personal	218,047	160,665	-57,382	-26.3%	1.7%	1.5%	-0.1%
Total Ag Business	2,104,019	1,978,425	-125,594	-6.0%	16.3%	19.0%	2.7%
Ag Homesteads	1,442,597	1,112,179	-330,418	-22.9%	11.2%	10.7%	-0.5%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Clay County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	180,001,684	313,428,916	133,427,232	74.1%	29.7%	33.9%	4.3%
Residential	219,008,342	350,867,810	131,859,468	60.2%	36.1%	38.0%	1.9%
Commercial	92,258,887	140,421,511	48,162,624	52.2%	15.2%	15.2%	0.0%
Industrial	73,444,945	88,221,578	14,776,633	20.1%	12.1%	9.6%	-2.6%
Utility	41,779,820	28,943,610	-12,836,210	-30.7%	6.9%	3.1%	-3.8%
Exempt	95,010	1,865,909	1,770,899	1863.9%	0.0%	0.2%	0.2%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	606,588,688	923,749,334	317,160,646	52.3%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	169,331,157	300,286,316	130,955,159	77.3%	27.9%	32.5%	4.6%
Residential	215,895,465	347,885,010	131,989,545	61.1%	35.6%	37.7%	2.1%
Commercial	55,569,667	96,715,073	41,145,406	74.0%	9.2%	10.5%	1.3%
Industrial	25,781,744	40,443,176	14,661,432	56.9%	4.3%	4.4%	0.1%
Utility	0	0	0		0.0%	0.0%	0.0%
Exempt	95,010	1,865,909	1,770,899	1863.9%	0.0%	0.2%	0.2%
Undefined	0	0	0		0.0%	0.0%	0.0%
Total	466,673,043	787,195,484	320,522,441	68.7%	76.9%	85.2%	8.3%
Agricultural Homesteads	77,127,680	122,105,862	44,978,182	58.3%	12.7%	13.2%	0.5%
Residential Homesteads	158,999,692	240,970,198	81,970,506	51.6%	26.2%	26.1%	-0.1%
Total Homesteads	236,127,372	363,076,060	126,948,688	53.8%	38.9%	39.3%	0.4%
Non-Homestead Residential	56,895,773	106,914,812	50,019,039	87.9%	9.4%	11.6%	2.2%
Apartments (Over 4 Units)	3,353,202	9,006,550	5,653,348	168.6%	0.6%	1.0%	0.4%
<u>Personal Property Only</u>							
Agricultural	10,670,527	13,142,600	2,472,073	23.2%	1.8%	1.4%	-0.3%
Residential	3,112,877	2,982,800	-130,077	-4.2%	0.5%	0.3%	-0.2%
Commercial	36,689,219	43,706,438	7,017,219	19.1%	6.0%	4.7%	-1.3%
Industrial	47,663,200	47,778,402	115,202	0.2%	7.9%	5.2%	-2.7%
Utility	41,779,820	28,943,610	-12,836,210	-30.7%	6.9%	3.1%	-3.8%
Total	139,915,643	136,553,850	-3,361,793	-2.4%	23.1%	14.8%	-8.3%
Total Depreciables	95,056,838	92,078,417	-2,978,421	-3.1%	15.7%	10.0%	-5.7%
Total Inventory	41,745,929	41,492,633	-253,296	-0.6%	6.9%	4.5%	-2.4%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	92,203,477	178,180,454	85,976,977	93.2%	15.2%	19.3%	4.1%
Ag Personal	10,670,527	13,142,600	2,472,073	23.2%	1.8%	1.4%	-0.3%
Total Ag Business	102,874,004	191,323,054	88,449,050	86.0%	17.0%	20.7%	3.8%
Ag Homesteads	77,127,680	122,105,862	44,978,182	58.3%	12.7%	13.2%	0.5%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Clay County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	106%	68%	-13%	-15%
Comparable Residential Real Prop.	93%	56%	-19%	-21%
Comparable Homesteads	90%	38%	-32%	-33%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	279	2.6%	50	0.9%	271	2.5%	48	0.9%
200% to	300%	140	1.3%	29	0.5%	132	1.2%	29	0.5%
100% to	200%	1,029	9.4%	55	1.0%	1,013	9.3%	52	0.9%
50% to	100%	989	9.1%	102	1.8%	946	8.7%	98	1.7%
25% to	50%	641	5.9%	132	2.3%	558	5.1%	113	2.0%
10% to	25%	761	7.0%	166	2.9%	727	6.7%	136	2.4%
5% to	10%	368	3.4%	93	1.7%	274	2.5%	75	1.3%
0 to	5%	702	6.4%	182	3.2%	761	7.0%	188	3.3%
0 to	-5%	392	3.6%	160	2.8%	398	3.7%	134	2.4%
-5% to	-10%	425	3.9%	187	3.3%	383	3.5%	180	3.2%
-10% to	-25%	1,461	13.4%	1,082	19.2%	1,522	14.0%	1,005	17.8%
-25% to	-50%	2,611	23.9%	2,397	42.6%	2,750	25.2%	2,518	44.7%
Below	-50%	1,104	10.1%	996	17.7%	1,167	10.7%	1,055	18.7%
		10,902	100.0%	5,631	100.0%	10,902	100.0%	5,631	100.0%
Parcels With Increases		4,909	45.0%	809	14.4%	4,682	42.9%	739	13.1%
Parcels With Reductions		5,993	55.0%	4,822	85.6%	6,220	57.1%	4,892	86.9%
Average \$ Change			-\$74		-\$186		-\$81		-\$193
Average % Change			-19.0%		-31.9%		-20.9%		-33.2%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 Clay County Parcel Tax Data

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